

iLEMBE DISTRICT MUNICIPALITY



FUNDING AND RESERVES POLICY

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FUNDING & RESERVES POLICY

Legislative Context

This policy is mandated by Section 8 of the Local Government: Municipal Budget & Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act 2003 (Act No. 56 of 2003).

Objective

This policy intends to set out the assumptions and methodology for estimating the following:

- (a) Projected billings; collections & all direct revenues
- (b) The provision for revenue that will not be collected
- (c) The dividends the Municipality can expect to receive from Municipal Entities
- (d) The proceeds the Municipality can expect to receive from the transfer / disposal of assets
- (e) The Municipality's borrowing requirements
- (f) The funds to be set aside in reserves

Guiding Principles

iLembe District Municipality's Funding & Reserves Policy is based on the following principles:

- (a) Affordability
- (b) Financial Sustainability
- (c) Equity
- (d) Efficacy

Underlying Policies & Application

- **Projected Billings, Collections & Direct Revenue**

These projections are prepared in accordance with the following annual approved Council Policies:

(a) The Tariffs and Other Charges

This policy sets out the manner in which iLembe District Municipality may impose tariffs and other charges.

(b) The Credit Control Policy; The Debt Collection Policy; The Indigent Policy

The objective of these policies are as follows:

- (1) Focus on all outstanding debt as raised on the debtors' accounts
- (2) Provide for a common credit control and debt collection policy
- (3) Promote a culture of good payment habits amongst debtors and instil a sense of responsibility towards the payment of accounts and reducing municipal debt
- (4) Subject to the principles provided for in this Policy, use innovative, cost-effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process
- (5) Effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy

(c) The Tariff Policy

This Policy guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. The policy is applicable to all water and sanitation services provided by iLembe District Municipality. This policy is also applicable to all sundry tariffs.

- **The Provision for Revenue that will not be Collected**

(a) The Bad Debts Provision

We determine an estimate for the Bad Debts Provision based on historical collection patterns.

- **The Funds that the Municipality can Expect to Receive from Investments**

(a) Cash Management & Investment Policy

The purpose of this policy is to secure the sound and sustainable management of iLembe's Municipality surplus cash and investments. It is calculated based on the

budgeted cash-flow, taking into consideration the timing of anticipated inflows and outflows of cash during the year.

- **The Dividends the Municipality can Expect to Receive from Municipal Entities**

This will be in relation to any dividends the municipality will receive from its municipal entity.

- **The Proceeds the Municipality can Expect to Receive from the Transfer / Disposal of Assets**

This methodology is governed by the Asset Management Policy and the Supply Chain Management Policy.

- **The Municipality's Borrowings Requirements**

iLembe District's borrowing requirements are determined in accordance with the Municipality's affordability thereof.

- **The Funds to be Set Aside in Reserves**

The funds to be set aside in reserves are subject to affordability.

POLICY ADOPTION

This policy was considered and approved by the Council of **ILEMBE DISTRICT MUNICIPALITY** IN MAY 2017